

THE Hollywood REPORTER

Why Kids' TV is Scrambling to Stay Afloat

8:00 AM PDT 5/17/2012 by Alex Ben Block



UPDATED: A sea of options has led longtime leader Nickelodeon -- the house that SpongeBob built -- to suffer a 30 percent tumble in ratings.

This story first appeared in the May 25 issue of [The Hollywood Reporter](#) magazine.

Kids these days aren't like they used to be. Just ask executives at television networks that cater to children. Over the past year, a sea change in viewing habits has thrown one of the most profitable segments of Hollywood into a chaotic period of transition. Longtime leader Nickelodeon suffered a nearly 30 percent drop in ratings in February,

while rivals including Cartoon Network have seen increases. At the same time, upstarts such as The Hub, PBS Kids, Sprout and even Netflix are siphoning off viewers, to say nothing of the online programming and gaming options that compete for the attention of young people.

It's enough for savvy executives -- many of whom are heading to the NCTA conference beginning May 21 in Boston -- to begin questioning where the business model for kids television is headed.

"It's dramatically different from how I grew up and dramatically different from how kids were growing up 10 years ago," says **Cyma Zarghami**, president of Nickelodeon since 2004, of the way children are consuming content. "This generation of kids has grown up in an on-demand world, so they can watch what they want when they want it."

Finding those kids and serving them what they want is now a multibillion-dollar business. In the U.S. alone, Viacom-owned Nickelodeon and its affiliated networks sold \$1.6 billion in ads in 2011, plus hundreds of thousands of dollars more in affiliate fees. Time Warner/Turner's Cartoon Network generated \$267 million in ad sales, while Disney Channel, which doesn't air commercials, took in more than \$1.2 billion from its 99 million subscribers (not counting revenue from 141 million viewers outside the U.S.). The male-oriented Disney XD channel, which does carry ads, sold nearly \$100 million in commercials, leading Disney CEO **Robert Iger** to cite the Disney channels as a key revenue driver on a recent earnings call. (All estimates according to analysis by SNL Kagan and other sources.)

With the stakes so high, a swing of just a few ratings points can impact the bottom line significantly. So networks have been pulling out all the stops in an effort to lure and maintain audiences. Increasingly, one strategy for reaching fickle kids is to make popular shows -- once constrained to a single branded network -- available via multiple outlets and platforms.

"You can see *SpongeBob SquarePants* on Nickelodeon, but you will also see it on Nick Jr." notes **Margaret Loesch**, a four-decade veteran of children's television and current CEO of The Hub, the joint venture between Discovery Communications and Hasbro that is available in 64 million homes. "On the Disney Channel, you will see *Phineas and Ferb*, but you can also find it on Disney XD. It's a big change in the business to take your star show and provide it across all your platforms."

The message is clear: If a kid won't return day after day to a network, the content is going to find the kid wherever he or she is. At the same time, what was once an

immutable principle of kids TV -- that children like to watch their favorite shows again and again -- also is being questioned.

PHOTOS: 11 Children's Movies With Political Agendas? You Betcha, Say Conservatives

"Their appetite for repeats is not as great as it used to be," says Zarghami. "They have been served new stuff, so they have an expectation that everything they're going to want to watch is going to be new."

Disney Channel for the first time beat Nickelodeon in first-quarter 2012 among children 6-11 when measured around the clock. Most analysts attributed the shift in part to Nickelodeon relying on only a handful of high-performing series (*SpongeBob*, *iCarly*) while Disney, Cartoon Network and others now offer a more diverse slate of new shows. "Our strategy has been to build a strong, consistent portfolio of content and not rely too heavily on any one series," says **Gary Marsh**, president and chief creative officer of Disney Channels Worldwide. "If you get into that trap, the bottom can fall out on you, and I think that's what happened to Nickelodeon."

Zarghami says Nickelodeon is addressing the problem by developing more new shows. At Nick's upfront presentation in March, she announced plans to roll out 650 new episodes in the coming year, by far the most in its history.

Zarghami admits the move is a direct response to the ratings slide as well as to the proliferation of social gaming, digital hubs such as Club Penguin and other online distractions for kids. "One of the ways we explain the ratings is the fragmentation of the kids audience," she says. "Our competitors are doing a good job, kids are consuming media in other places, and our viewers are going to our own other channels.

"But I don't think it's a permanent shift," adds Zarghami. "One of the reasons we are putting so much new content on the air is we think kids have an appetite for it and more great new stuff will bring them back to television."

Despite the effort, Nickelodeon and others increasingly compete with their own content on Netflix as their parent companies eagerly make rich licensing deals. In early May, Bernstein analyst **Todd Juenger** issued a report blaming "drastic declines" in ratings for kids networks in part on repeats of older episodes in homes that subscribe to the streaming and DVD service. The study was controversial because it was based only on data from homes that subscribe to TiVo, which is not necessarily typical of the broad universe of TV homes, but Juenger says "executives should think hard whether they want to sell this content to Netflix. The money looks good in the short term, but if you

believe what the data says, as Netflix gets more subscribers and people who use it more get accustomed to it, the impact is going to grow."

Zarghami points out that more than 95 percent of all kids' viewing still is on traditional TV. And she believes Netflix actually will grow appetite for Nick content. "They'll watch it on Netflix and then come back to Nickelodeon for the new stuff," she predicts.

Marsh agrees, noting that Disney doesn't put much stock in that study. "Our streaming is growing, and it doesn't seem to be detracting from the linear viewing experience," he says.

But Juenger believes it isn't a coincidence that Cartoon Network, whose parent Time Warner has refused to resell its content to Netflix, has seen the biggest recent ratings gains.

The Hub also doesn't resell content to Netflix or others and actively discourages its independent producing partners from doing so. But others, such as ad-free PBS, have taken the opposite approach. "Our goal is to reach as many kids as possible. It's not about monetizing them," says Lesli Rotenberg, senior vp children's media at PBS, who oversees PBS Kids. "So we have more content freely available to kids than anybody else in the industry."

PBS Kids only programs in the daytime, so nearly seven years ago, PBS created a joint venture with Sesame Workshop, Apax Partners and NBC Universal (now Comcast) to create Sprout, a 24-hour network aimed at younger children and parents. While it is only in about half of U.S. TV homes, Sprout has done quite well. And in July, the channel will begin providing Saturday-morning programs to NBC stations, which will expose the brand to more than 110 million households every week.

"Every time a new platform comes along, I think they are complementary," says **Sandy Wax**, the Philadelphia-based president of PBS Sprout. "The goal is to keep kids in the franchise, keep them watching *Thomas & Friends*, keep them engaged with *Barney*, so we remain important to children in multiple ways."

Despite the competition, Juenger says his research indicates the audience shift actually could benefit Nickelodeon. "While Nick is down, to the extent they've been replaced by channels that don't take advertising, or that limit the kind of advertising they take, advertisers are losing an opportunity to deliver impressions to kids," he notes. "What that does is make the price of advertising go way up."

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HOT LIST: WHAT KIDS ARE WATCHING NOW

AGES 2-5: *Wiggly Waffle*

Originally created in Australia, the live-action series based on music group The Wiggles has aired on PBS Kids Sprout since 2009. The action -- which takes place around a

waffle, where every nook and cranny is a window that opens to jokes, songs, and skits -- aired on Disney before it shifted emphasis to 6- to 14-year-olds. Sprout president Sandy Wax calls the international sensation -- it's on in 100 countries and is helped by The Wiggles' many touring stage shows -- one of its most popular and important shows.

AGES 6-11: *Lego Ninjago: Masters of Spinjitzu*

Based on a line of Lego toys, the pilot episodes of the fantasy martial arts animated series premiered on Cartoon Network in 2010. It was a hit, so in 2011 it became a series centering on Kai, who lives in a blacksmith shop. The network says they entered into a new partnership with Lego to do more shows "on the heels of the hugely successful Ninjago launch in 2011 -- currently the No. 1 show across first-quarter 2012 with all boys."

AGES 12+: *Phineas and Ferb*

Already renewed on the Disney Channel (and Disney XD) through 2014, this animated musical-comedy series about two English stepbrothers has been a consistent ratings performer. The TV movie *Phineas and Ferb: Across the 2nd Dimension* was the No. 1 TV movie among tweens 9 to 14 years old in 2011 and the No. 2 animated cable telecast of all time among the 6-to-11 demo, according to Disney. The characters also appear in theme parks and on tons of merchandise and games.

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Campaign: Lego Channel on CartoonNetwork.com
Target: A18-49

Objective: Lego wanted to engage the kid audience where they already gathered in an organic and seamless way. Lego had robust video and gaming content tied to their Lego toys that fit well with Cartoon Network's own shows and games so wanted to leverage that connection and provide an enhanced content experience on CartoonNetwork.com

Strategy: In a first-ever partnership of its kind, Cartoon Network essentially created a "Lego Channel" alongside its own shows in a way that mimicked the way kids consume Cartoon Network show content on the site. Cartoon Network and Lego designed a programming schedule of sorts with timed video and game releases timed around product launches with promotional activation that followed the same model used by Cartoon Network to promote its own shows.

Award Credits

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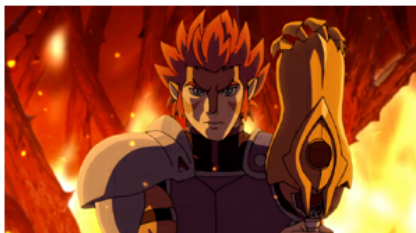
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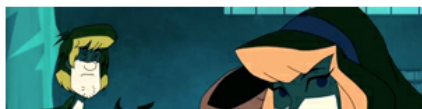
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MTV REVS UP SOCIAL EFFORTS AROUND ANNUAL MOVIE AWARDS

Introduces Voting by Twitter Hashtag Before and Through the Event

Published: May 29, 2012

Continuing its effort to engage viewers with social media, MTV is taking votes for an annual movie award via Twitter for the first time.



The revamped Twitter Tracker for the upcoming MTV Movie Awards

The voting, which opens today and continues into the live show this Sunday, is part of MTV's plan to emphasize social media before and after the telecast as much as, or maybe even more than, during the show itself. MTV dubbed its digital strategy "storytelling without borders" at its most recent [upfront pitch](#).

"We are thinking beyond the linear broadcast," said Colin Helms, senior VP of MTV digital. "Our audience doesn't think about it in such a narrow way. It's about the lead-up, during, and more importantly, what happens after, when content turns to currency that viewers share. How do we keep the audience connected beyond the linear event?"

Annual franchises such as the MTV Movie Awards are particularly fertile for social TV, according to MTV President Stephen Friedman. "Our audience is always looking for opportunities to connect and tent-poles provide a good opportunity for them to engage with something bigger," he said.

The network is taking Twitter votes for the "Best Hero" category, whose (fictional) nominees are Harry Potter, Captain America, Katniss Everdeen from "The Hunger Games" and Jenk from "21 Jump Street." The voting is sponsored by Sprint.

To compliment live viewing, there will be an All Access Livestream that includes six camera feeds and a celebrity GIF flipbook, which will be sponsored by Revlon and incorporate Emma Stone, the brand's spokesperson. MTV is also revamping its Twitter Tracker visualization of tweets related to the show and testing a similar tool for Facebook.

The network will follow the show on Sunday with the first episode of the second season of "Teen Wolf," so it will also use its multiscreen initiatives around the movie awards to promote, what else, a social effort around "Teen Wolf" on Facebook and other platforms.

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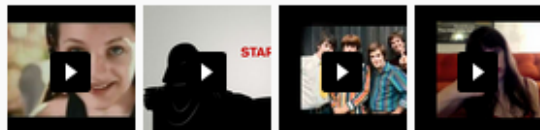
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ONLINE MEDIA DAILY

And The Award For Best Social Media Extensions Goes To MTV

by Joe Mandese, Tuesday, May 29, 2012 8:37 AM

The word “TV” still dominates its name and identity, but beginning today, MTV will introduce a variety of so-called “second screen” experiences leading up to and running through its annual “MTV Movie Awards” on June 3 that may cause some users, er viewers, to question which screen is their dominant one. Not surprisingly, social media will be at the core of the new digital screen experiences, including a new movie awards category, dubbed “Real Hero,” that will be chosen dynamically in real-time by fans tweeting in to special Twitter hashtags.

Twitter, which MTV has been working with for several years, will also play center stage on the second screen, as a way to augment viewers’ first-screen experiences. The awards show will also utilize a new, reimagined version of MTV’s Twitter Tracker, which beginning today will enable users to “visualize” key moments leading up to and running through the awards telecast.

With an emphasis on socialization, MTV will also utilize its Facebook presence to post “memorable moments, winners and other outrageous activity” in real-time.

The initiatives are all part of an ongoing progression that MTV digital executives dub “storytelling without borders,” which is designed to create greater “transparency,” and to give viewers and users a “peek behind the curtain” during some of MTV’s highest-profile events.

“The main event is still watching the live TV broadcast,” explains Colin Helms, senior vice president-digital at MTV, “but we know people multitask and we’ve created an experience to sort of track that.”

The goal, he explains, is to “build and amplify” on the television experience by enabling viewers to have direct access to special content leading up to and running through the telecast and to encourage them to share it.

Twitter and Facebook may be the biggest elements, but the effort also includes components involving Instagram, Foursquare and Tumblr, each of which enable users to access and share elements of the awards show -- which along with its Video Music Awards is one of MTV’s two big “tent pole” events of the year.

The social voting via Twitter, in particular, represents a new paradigm for a major TV event like the movie awards, says Michael Scogin, vice president of mobile at MTV, because he says it is the first time any major awards show will enable users to see -- and presumably influence -- voting continuously in real-time.

“We’re going to be completely transparent about it in real-time,” he says.

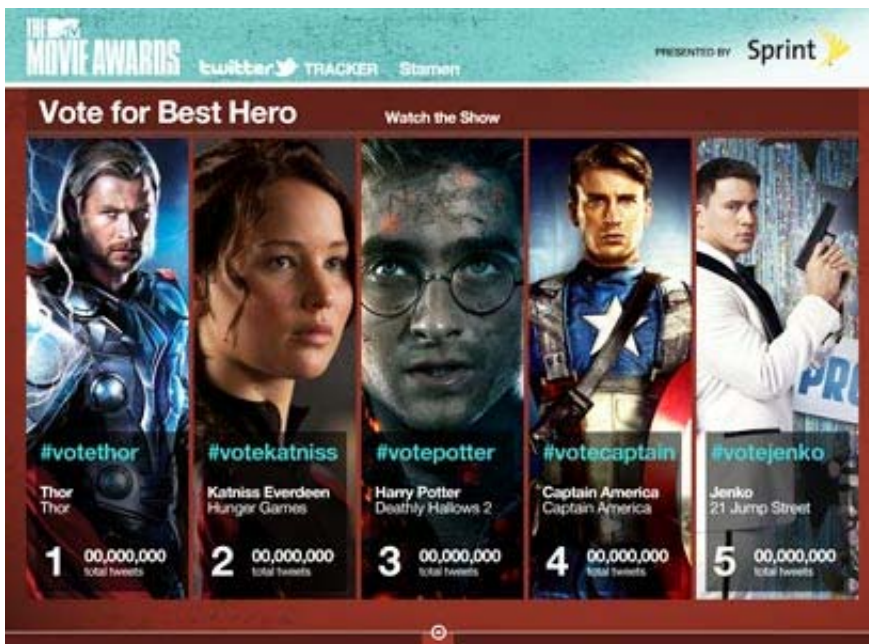
The social media extensions, which are being sponsored by Sprint, are intended to impact the way

people experience the MTV event before, during and after the awards telecast, and are expected to help boost overall viewer engagement -- and ideally, Nielsen ratings.

“At the end of the day, we think people still like event television and storytelling, and the big screen is still the best place to do that,” Helms explains, adding that the extensions are all part of a progression that began by dabbling with Twitter a few years ago, and that MTV is simply adapting to how its audience wants to experience television.

In fact, many of these same social media components will become regular, mainstay elements of ongoing series, including the new season of MTV’s “Teen Wolf,” which debuts after the movie awards.

The problem, adds Scogin, may not be what to do with social media, so much as it may be what not to do. The proliferation of new and emerging social media platforms is expanding so rapidly, he says, that TV programming executives and viewers alike need to winnow the options down to key ones that matter. And while Twitter and Facebook will be the primary components for MTV, it is enabling users to create their own real-time animated images via Instagram, and will enable them to check-in via Foursquare, and will also incorporate Tumblr. That’s it for now, he says, but the MTV digital team will continue to vet and explore other new ways of involving their viewers by breaking down the borders surrounding their linear TV viewing experiences.





Viacom Introduces "Surround Sound" Cross-Platform Audience Targeting for Advertisers

New Initiative Utilizes Adobe® AudienceManager to Enable Advertisers to Reach Viacom's Audiences with Pinpoint Accuracy at Scale

"Surround Sound" Available Via On-Air, Online and Mobile Across Viacom Media Networks Including MTV, VH1, CMT, Logo, Nickelodeon, COMEDY CENTRAL, TV Land and Spike TV

NEW YORK and SALT LAKE CITY, March 21, 2012 /PRNewswire-FirstCall/ -- Viacom Inc. (NASDAQ: VIA, VAB) today announced the launch of "Surround Sound," a new sales capability enabling advertisers to reach specific audiences with pinpoint accuracy on every digital platform of the company's media networks, including MTV, Nickelodeon and COMEDY CENTRAL and more. Available today, Viacom's "Surround Sound" offers advertisers highly targeted, scaled media buys across nearly 100 million homes on-air, and more than 80 million unique visitors online*, as well as mobile and email users the company reaches nationwide.



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Viacom unveiled the capability, which utilizes Adobe® AudienceManager, today at the Adobe Digital Marketing Summit in Salt Lake City, UT.

"Our brands excel at delivering highly targeted demos for advertisers, but 'Surround Sound' takes that ability a big step further, by empowering us to connect clients with specific audiences wherever they are across our digital portfolio," said Jeff Lucas, Head of Sales, Music and Entertainment for Viacom Media Networks.

"With 'Surround Sound,' we're offering advertisers the sustainable, scalable ability to reach very specific consumers across every screen we program, from television to online video, premium display, mobile and even email advertising inventory," said Jim Perry, Head of Sales, Nickelodeon Group for Viacom Media Networks.

"With Adobe AudienceManager, Viacom is getting a single view of all of its data assets, helping the company unlock the value of that data with an unprecedented cross-platform advertising solution," said Chris Robison, senior director, advertising solutions, Digital Marketing Business, Adobe. "Viacom can now deliver extremely relevant audience segments to its advertisers across its media networks. Time, geography and content constraints become far less relevant and the audience itself becomes the focus in a way never before possible."

Offered by Viacom Media Networks client-centric, cross-platform sales force, "Surround Sound" utilizes Adobe® AudienceManager (formerly Demdex), a best-in-breed data management platform, to help identify and reach key audience segments. "Surround Sound" leverages highly proprietary, anonymous first-party data from Viacom as well as anonymous data from trusted industry partners and providers around demographics, behavior, geography, and purchase propensities. The collection and use of anonymous data is done in compliance with Viacom's privacy policies.

**According to comScore Media Metrix, December quarter of 2011*

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